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Pensions & Investment Age

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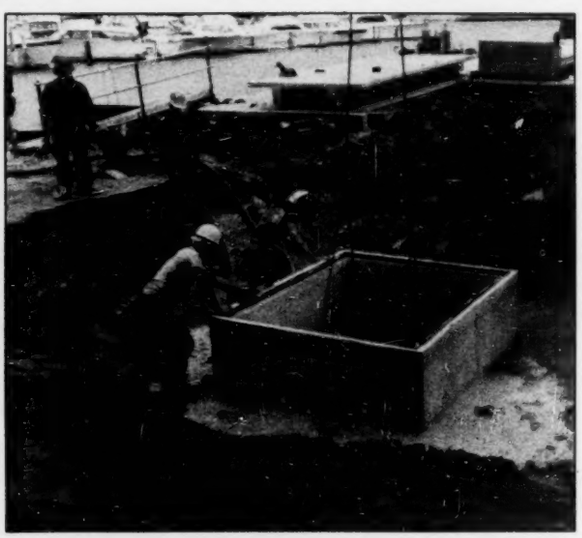
CORPORATE FINANCE: Angell Care Inc., a nursing home operator in Advance, N.C., is financing the purchase of 65 nursing homes through a master limited partnership that keeps the debt off Angell's balance sheet — page 27.

By Sherrie Nickol, Crain's N.Y. Business

James Ward and Leonard Wissner, shown here, are targeting small banks as clients for Ward & Wissner Capital Management's new options and futures techniques — page 58.

CASH MANAGEMENT: Mobil Oil Co., which already has the largest debit-card network, is expanding it. But the Arizona Clearinghouse Association is expanding its ACH-based debit-card system, too, which is now being used as a pilot program for some companies — page 53.



UNION FUNDS: Plumbers Local Union 93, which covers the plumbers, shown above, setting this pre-cast vault for a project in Waukegan, Ill., is bucking national union standards by, among other things, freezing its defined benefit plan and putting in its place a defined contribution plan — page 19.

FUTURES & OPTIONS: Some tax-exempt pension funds ... eliminating their options overwriting ... ers, ... nue to ... with

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$215 million contribution

LTV seeks fund waiver

By Rose Darby

DALLAS — Officials of The LTV Corp., which filed for Chapter 11 bankruptcy in mid-July, is asking the Internal Revenue Service for a waiver to defer payment of $215 million in pension fund contributions for 1985.

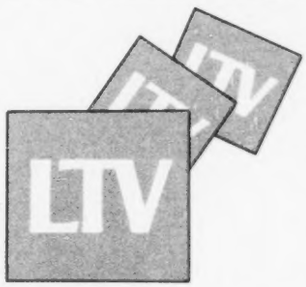
This is the second waiver LTV has sought. Last year, it was granted a collateralized waiver for $175 million in 1984 pension contributions.

Charles M. Palmer, LTV's spokesman, said the new waiver covers contributions due Sept. 15 for 12 steel and energy pension funds.

In addition, he said company officials are fairly certain they will be able to fund the estimated $2 million September benefit payment for the almost $3 billion Republic Steel Co. salaried workers plan. Shortly after the company filed for protection from creditors under Chapter 11 of the federal Bankruptcy Code, officials announced they expected that plan to be terminated. That plan is among the 12 for which LTV is seeking a funding waiver.

Company officials had said the Chapter 11 filing was necessary in part because the $375 million pension contribution for all of LTV's pension and retiree benefit plans could not be met along with servicing its $1.7 billion in debt.

There are 25 pension plans. Mr. Palmer said the $375 million contribution includes funding of



health and life insurance benefits.

"There was a growing pension burden from all of the pension plans," he said. "We currently have two retirees for every active worker in our steel business."

The Republic Steel salaried workers plan had been depleted considerably from lump-sum payouts, and funding has been by monthly cash infusion since Republic's acquisition by LTV in June 1984, he said.

The recurring monthly obligation for the salaried plan was $2 million; any lump sums were in addition to that.

Unfunded liabilities for that Republic Steel plan range as high as $400 million, depending on which actuarial calculations are used, Mr. Palmer said.

The company has no plans to terminate any other pension plans, he said.

The other steel plans for which waivers are sought are: the $300 million Jones & Laughlin Steel Inc. salaried employees plan, Cleveland; the $485 million Jones & Laughlin Steel hourly employees plan, Cleveland; the $626 million Republic Steel Corp. plan for hourly workers, Cleveland; the $1 million Kensington Steel Corp. fund, Cleveland; and three other small plans.

Waivers also will be sought for four energy company pension funds, with combined assets of about $28 million: Continental Emsco pension fund, Evansville, Ill.; LTV Energy Products Retirement Plan, Dallas; Continental Emsco pension fund, Garland, Texas; and Continental Emsco pension fund, Houston.

LTV's aerospace and defense

Continued on page 62

Funds paying twice for investing cash

By Barry B. Burr

WASHINGTON — Some trust departments that invest idle cash balances in sweep accounts for employee benefit plans may be double charging for assets under management and could be violating prohibited transaction provisions of ERISA.

Pension executives often pay a double fee for the management of temporary short-term investments. In interviews, some executives said they were cognizant of the double charges, but others said the double charge was an expense they hadn't fully comprehended.

In an information letter on the double charge, the Labor Department singled out as a violation only the practice of any bank serving as investment manager that also has a standing, discretionary arrangement to sweep idle cash balances into the bank's short-term investment fund.

In other cases, where a separate money manager has discretion over the asset allocation and the amount placed temporarily in a bank's short-term investment fund, the Labor Department sanctioned the arrangement, even though it would result in the double charge.

A number of pension executives, including officials of Allied-Signal Inc., Morristown, N.J., and Manville Corp., Denver, suggested the costs of such allowable double charges have been overlooked and should be scrutinized.

The Labor Department issued the information letter in response to a request from the Federal Reserve System's board of governors and the office of the comptroller of currency.

According to the letter, violation of the Employee Retirement Income Security Act of 1974 may arise when a trust department "has an interest in the transaction which may affect the exercise of its best judgment as a fiduciary" to an employee benefit plan. Such discretion would come when a bank also was an investment manager for a plan.

"For this service, the bank will charge the plan a fee calculated as a percentage of the daily invested cash balance in the money market fund," the Labor Department letter notes.

"In effect, the bank would be using its fiduciary authority to cause the plan to pay an additional fee for a service performed by the bank in violation of section 406(b)(1) of ERISA.

"Although there would be initial approval of the arrangement by the plan, thereafter the bank would have total discretion to

Continued on page 62

Oil company tries to save debt swap

By Brad Rudin

OKLAHOMA CITY, Okla. — Torpedoed by the slump in oil prices and struggling to keep afloat, Texas International Co. has had to sweeten a proposed debt exchange after investors reacted coolly to the offering.

Corporate finance

If the company's new offer meets a favorable response among the bondholders, the oil exploration company will enjoy a reprieve that could pave the way for prosperous days, some analysts say.

But the restructuring of $261 million in long-term debt is just one factor among several that will determine the company's future, the analysts say.

Negative stockholders' equity and its net loss history caused the New York Stock Exchange to suspend trading in Texas International stock July 31 (the stock is now traded on the Pacific Stock Exchange). Moody's Investors Service, New York, gives the company's subordinated debt a Caa rating, while Standard & Poor's Corp. assigns these securities a

Continued on page 63

11 Putnam staffers quit

International team launches own investment firm

By Rose Darby

BOSTON — Virtually the entire investment management team at Putnam International Advisors Inc. defected last week to form a new firm, dealing a severe blow to The Putnam Advisory Co. and its parent, Marsh & McLennan Inc.

The 11 members of the investment management team who left, including most of Putnam's Tokyo and London offices, formed an independent international investment firm in which they will have an equity stake.

The inability of key investment officials to secure an equity share at Putnam International prompted their decision to leave, sources said.

Putnam International had about $1.4 billion under management as of March 31 in 38 accounts for pension funds clients, according to *Pensions & Investment Age*'s Aug. 18 directory of international advisers.

Walter Oechsle, former president and chief investment officer of Putnam International, will be managing general partner of Oechsle International Advisors. The firm is based in Boston, with offices in London and Tokyo.

Mr. Oechsle had been with Putnam for 13 years.

The departed employees did not constitute the entire international department at Putnam, said Charles O'Neill, senior vice president of Putnam.

Officials at the Houston Police Officers' Pension Fund said they received word last week that Putnam International, which had been a finalist in the fund's recent international search, dropped out because it won't have an international product until the departing staff members are replaced.

Other employees who left Putnam are: Sean Roche, senior portfolio manager for international equities, who will be a general partner at the new firm; Steve Langer, international product manager, who will be a general partner; and Warren Walker and Stavros Iatridis, two international equity analysts, who will be research analysts at the new firm.

Dee Keesler, director of European research in Putnam's London office, will be a general partner in Oechsle's London office; Steven Schaefer, managing director and senior portfolio manager in London will be a general partner and head of Oechsle's London operation; Tetsuo Shiozumi, who headed Putnam's Tokyo office, will be a general partner and head of Oechsle's Tokyo office; Noboru Terashima, international equity analyst in Tokyo will be a research analyst in Tokyo for Oechsle; Elisabeth Davies, administrative assistant, will be manager of operations for Oechsle in Boston; and Terese Franklin, marketing associate, will continue in that capacity for Oechsle.

In London, the only remaining Putnam employee is John Storkerson, European marketing director.

Putnam's Mr. O'Neill said Francis H.M. Kelly, who joined Putnam Advisory in July as head of domestic equity management, will assume Mr. Oechsle's position.

Robert Nuboer, senior inter-

Continued on page 66

California charts divestiture course

By Trudy Ring

SACRAMENTO, Calif. — The California state pension funds' divestiture of South Africa-related securities — the largest such action ever — may set a precedent for other public funds.

Under new legislation, the $37 billion California Public Employees' Retirement System and the more than $18 billion California State Teachers' Retirement System will divest about 18.5% of their assets. Divestiture is scheduled to begin Jan. 1, 1988, and be completed Jan. 1, 1991, with one-third of the securities to be divested each year. New investments in companies operating in South Africa will be prohibited as of Jan. 1, 1987.

"I suspect it's going to encourage other government funds to step over the fence that they may have been straddling," said Brian Rom, president of the consulting firm Brian Rom Co., New York. Both houses of the California Legislature passed the divestiture bill in late August, and Gov. George Deukmejian was expected to sign it shortly.

"The move was encouraged by a lot of the public fund divestiture we have seen, and I think it will encourage even more," said Rob Jones, projects director for the American Committee on Africa, a pro-divestiture lobbying group based in New York.

The California decision is important both because of its size and because of its endorsement by a Republican governor, Mr. Jones said. It dwarfs what had been the largest divestiture action, the $12.5 billion New Jersey Division of Investment's sale of about $3 billion worth of securities over three years, beginning a year ago.

"We consider it to be a tremendous victory for the divestment movement in this country," Mr. Jones added. "We feel it points up how out of line the (Reagan) administration is on South Africa."

Staffs of the systems are working to determine the costs of divestiture. "Clearly, there are costs, but we don't know what they are," said Greta Marshall, chief investment officer of the public employees' system. The fund has at least $6 billion in stocks and bonds of companies doing business in South Africa, Ms. Marshall said.

The teachers' retirement system has about $4.2 billion in these securities, said Larry Kurmel, chief executive officer.

Costs of divestiture will include brokerage fees and market impact, Ms. Marshall said.

Mr. Rom said that despite the size of the California divestiture, impact on stock prices likely will be negligible.

Published figures on the public employees' system's holdings of several South Africa-related stocks, including **Exxon Corp., Merck & Co., E.I. du Pont de Nemours & Co.** and **American International Group**, indicate the amount held of each stock is a fraction of the security's one-day trading volume, Mr. Rom said.

"With program and package trading that is being offered by the big brokerage firms, anything that is under 100% of one day's trading can be handled routinely," he said. "Certainly, from a trading point of view, it's not an issue for these highly liquid stocks."

Also divesting will be the University of California pension and endowment funds, which have about $3.1 billion, or 38% of their $8 billion total assets, in South Africa-related securities, said Patricia Small, associate treasurer of the university.

The university, based in Berkeley, receives a state contribution but invests autonomously. Trustees of the pension and endowment funds approved divestiture a month ago (*Pensions & Investment Age*, Aug. 4). However, they declined to begin sales until the state indemnified them so they could not be held liable for losses to the fund that might result from divestiture. This legislation did so, and also indemnified trustees' of the public employees' and teachers' retirement systems.

Ms. Small said the amount to be divested by the university could exceed $3.1 billion somewhat, as the market value of its securities has increased since those numbers were computed in March. Also, the university's divestiture program could affect a portion of its $1 billion in short-term investments, she said.

Continued on page 62

Bill overhauls benefit plans

By Richard J. Gillespie

WASHINGTON — The 1986 tax bill will cause radical changes in the way retirement plans are operated, overhauling vesting, integration and coverage rules while paring the advantages of tax-deferred savings plans.

But the new rules, designed to enhance benefits coverage and income for the rank and file, also may drive large employers to use unfunded vehicles to boost benefits for executives while discouraging smaller employers from adopting retirement plans, pension experts said.

In any event, the legislation, which awaits final approval by Congress upon its return this month, will escalate administrative costs for employers.

"I think you could rightfully say this is the biggest piece of employee benefit legislation since the Employee Retirement Income Security Act passed (in 1974)," said Edward J. Davey, vice president and manager of the research department at Johnson & Higgins in New York.

Elsewhere, the alternative minimum tax proposal that analysts feared might effectively make pension fund contributions taxable for the first time was altered to skirt the problem.

Instead of making a taxable "preference item" of the difference between book income and reported income, the bill substitutes a new "alternative minimum taxable income," thus sidestepping the problem, said David Burton, manager of the tax policy center at the U.S. Chamber of Commerce.

The problem arose because the Financial Accounting Standards Board's Statement 87 could cause pension expense in reported income to differ from book income. That might boost pre-tax earnings in calculating the discarded version of the alternative minimum tax (*Pensions & Investment Age*, July 21).

The tax bill will cause changes in virtually every retirement plan in the country.

In particular, actuaries say the vesting, integration and non-discrimination provisions in the bill will provide a heavy new work-

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Maryland unions threaten to pull assets from banks

By Trudy Ring

BALTIMORE — Organized labor leaders in Maryland are threatening to withdraw union pension assets from banks that belong to a business group that released a report criticizing the state Legislature's record on business issues.

The group, Maryland Business for Responsive Government, Baltimore, released the report in April. It evaluates the voting records of the Maryland General Assembly's 188 members on what the group contends are issues relevant to the state's business climate.

But the Maryland State and District of Columbia AFL-CIO, Annapolis, contends many of the issues on which the legislators were rated are irrelevant and have less to do with being pro-business than being anti-labor.

Maryland Business for Responsive Government has 19 member ters or substantial operations in Maryland. Six of the companies are banks or bank holding companies — Equitable Bancorp., First Maryland Bancorp., Maryland National Corp., Mercantile Safe Deposit and Trust Co., Union Trust Bancorp. and Sovran Bank Maryland. All are based in Baltimore.

Ed Lamon, president of the state AFL-CIO, said labor leaders recognize the banks' right to belong to the group, but believe if the group has an anti-labor focus, unions should not keep money in those banks belonging to it.

"We're just saying that we do not want our dollars used against us," he said.

AFL-CIO leaders are meeting with bank officials, asking that the banks either resign from the group or work to change its focus, Mr. Lamon said. Otherwise, he said, unions might withdraw pension and operating money man-

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Opinion

Corporations: Watch your step

ALMOST IMPERCEPTIBLY, corporations are slipping into a financial morass from which they might not be able to easily extricate themselves. Their slide is being hastened by their best instincts.

The morass is the financing of post-retirement health-care benefits for employees.

Many large companies provide such benefits. Some of these benefits were won by unions in contract negotiations. Others were provided by companies simply because they believed it was right to help their retirees in this way.

However, few companies have begun to prefund the costs of these benefits. Most are paying them on a pay-as-you-go basis.

Already the Department of Labor estimates the liabilities for such benefits total more than $100 billion. In 1983, the estimate was $98 billion.

Some companies do not consider these costs true liabilities, because they believe they can terminate the benefits at any time for former salaried employees, and when a contract expires for union employees. But recent court decisions leave the matter unclear.

And the Financial Accounting Standards Board has opened formal discussion on whether these are liabilities in an accounting sense, and whether these costs should be disclosed in corporations' financial statements.

Now the tax reform act has complicated any thoughts of pre-funding such benefits.

Corporations would be well advised to examine what they have promised to employees and former employees in the manner of post-retirement health benefits, and to discuss with their lawyers the legal status of such promises.

They should also plan, if they decide to continue such benefits, how best to pre-fund the liabilities, which are likely to grow dramatically as the work force ages.

Time to simplify pension reporting

NOW THAT TAX simplification has been agreed upon by the Senate and House of Representatives conference committee, let's push ahead with pension fund reporting simplification.

Corporate pension fund executives are burdened with complex reporting requirements that seem to make little sense.

Form 5500, for example, is long, detailed, complicated and apparently of little use to anyone.

Surely this form at least could be simplified and abbreviated in the light of many years of experience. The Department of Labor and the Internal Revenue Service must know which parts of the 5500 really are useful to them in enforcing the Employee Retirement Income Security Act. Preserve those parts and dispense with the rest.

Simplifying the reporting requirements would reduce the incentive for companies, especially smaller ones, to drop their defined benefit plans in favor of defined contribution plans, which have simpler reporting requirements.

The onerous reporting requirements are among the most common complaints about defined benefit plans by their sponsors.

Congress could encourage a group of private pension experts, under the watchful eyes of the IRS and the Labor Department, to study the problem and recommend simpler reporting requirements.

Letters to the editor

Lynch & Mayer

To the Editor: Lynch & Mayer Inc. was not included in the May 19 special profile issue of money managers.

The firm is at 650 Fifth Ave., New York, N.Y. 10019; (212) 246-7760.

We had $719 million under management as of Jan. 1, of which $550 million was tax-exempt.

The equity manager is a stock picker, focusing on companies with a positive fundamental change and the potential for a 50% price appreciation in its stock during an 18-month time horizon.

The asset mix as of Jan. 1 was 85% stocks and 15% cash. There were 19 tax-exempt clients. Minimum account size for separate management is $20 million.

There are three portfolio managers and four research staff members. We follow 250 stocks closely and 1,000, generally. Sixty percent of the research is generated internally.

Clients include Advanced Micro Devices, J.P. Stevens, Morton Thiokol and CPC International.

The firm is a wholly owned subsidiary of Lincoln National Corp.

Eldon C. Mayer, president, is chief investment officer. Client contact is Beth Geraghty, vice president-client service and marketing.

Beth Geraghty
Vice president
Lynch & Mayer Inc.
New York

Cabanne Smith

To the Editor: We obviously did not meet your deadline for the May 1986 issue of *Pensions & Investment Age*, but I am sending you this material for your files.

Cabanne Smith Associates, 101 Bryn Mawr Ave., Bryn Mawr, Pa. 19010; (215) 525-8350.

Cabanne Smith, an equity manager, had $60 million in total assets under management as of Jan. 1, 1986. Of that, $52 million was tax-exempt.

An equity manager, Cabanne Smith emphasizes emerging growth, low p/e, sector rotation and Graham & Dodd in its investment approach. The primary focus is on out-of-favor stocks with low p/e and strong underlying fundamentals. Managers also stress emerging growth stocks.

The tax-exempt asset mix as of Jan. 1 was 78% stocks, 18% cash and 4% convertibles.

There are four tax-exempt, corporate clients. Minimum account size for separate management is $500,000.

The firm had a $20 million net gain in new tax-exempt business.

There are two portfolio managers and one research staff member.

Managers follow 150 stocks closely and 300, generally; 70% of the research is generated internally.

Clients include AMP, Boeing and Fox Steel.

Chief investment officer and client contact is Cabanne Smith, president.

Bobbye Fritz
Cabanne Smith Associates
Bryn Mawr, Pa.

Information sought

To the Editor: Reference was made to *Pensions & Investment Age* in the January 1986 ABA Banking Journal article on banks as investment advisers:

". . . bank's share in pension management plummeted from 50% in 1975 to 38% in 1983, according to *P&I Age* magazine."

Would you have this statistic for more recent years or other references to banks as money managers for pension equity funds?

Gordon L. Ragan
Vice president
Hilliard Lyons Trust Co.
Louisville, Ky.

Editor's note: That information is in the mail to Mr. Ragan.

Pensions & Investment Age

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Corporate Finance

Partnership keeps acquisition 'debt free'

By Brad Rudin

ADVANCE, N.C. — A master limited partnership formed by Angell Care Inc., a nursing home operator based here, will help finance the acquisition of 65 nursing homes in a deal that keeps debt off Angell's balance sheet.

Companies increasingly are interested in keeping plant-related debt off their balance sheets, said Thomas Weinberger, a managing director at L.F. Rothschild, Unterberg, Towbin Inc., the lead underwriter in the offering.

Although master limited partnerships have been used in the oil and gas industry, the Angell Care Master Limited Partnership is the first in the health care industry, Mr. Weinberger said.

This vehicle could be used to accommodate the financing needs of the health care industry, which is undergoing a period of consolidation.

Four limited partnerships, one for each state in which the nursing homes will be acquired, make up the partnership.

The partnership, whose only general partner is Angell Care Inc., proposes to acquire 3,823 nursing home beds in Florida, Illinois, Indiana and North Carolina by selling $16 units in the partnership. Application has been made to sell the units on the New York Stock Exchange.

The Angell Care Master Limited Partnership will raise $68 million for the acquisitions, according to the preliminary prospectus.

Limited partners initially will receive a minimum 9% annual return and could expect an annual return that approaches 11% during the 1990s, said Myron Neugeboren, a managing director at Rothschild.

(The increase in returns is due to the possible increase in rents on the nursing home leases.)

Examining the master limited partnership from the issuer's perspective, Mr. Neugeboren said Angell Care Inc. will benefit from management and acquisition fees provided by the master partnership agreement.

Angell Care, as the general partner, will

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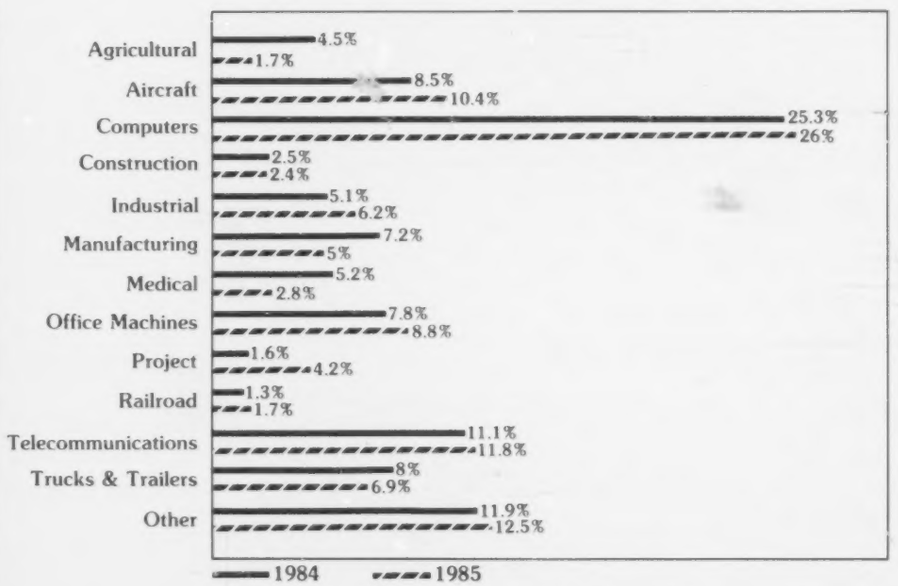
Total Leasing Volume

Percentage of Total Volume by Equipment Type



Source: American Association of Equipment Lessors, Arlington, Va.

Tax reform to change, not choke, lease arena

By Marci Baker

WASHINGTON — The tax bill recently approved by congressional conferees will shift the focus of activity in the leasing business, although few expect the tax rules to cause the business to shrink as a whole.

Eliminating the investment tax credit, lengthening the accelerated depreciation schedules and imposing an alternative minimum tax will take out some old players from the leasing business while drawing in some new participants.

Many believe the net impact will be continued — albeit less rapid — growth for the leasing market.

"I expect to see a general slowdown in the leasing business because there will be a slowdown in equipment acquisitions," said Michael Fleming, president of the American Association of Equipment Lessors, Washington. "But I don't look for an overall decline in leasing volume."

Lessors generated $24.4 billion in new equipment leasing business in 1985, according to a recent survey of 382 AAEL members. Survey respondents reported $14.8 billion in new business in the AAEL's 1984 poll.

The AAEL survey results are considered indicative of the industry, although the numbers represent only about 30% of the actual industry volume.

Another $3.2 billion in automotive and real estate leasing volume was recorded for the first time in the 1985 survey, reflecting the increasing activity in these segments of the leasing business.

Participants in equipment leasing say other motivations, such as off-balance sheet financing and convenience, will keep companies in the leasing arena. But players drawn in primarily to participate in tax-driven deals will, in all likelihood, sit on the sidelines in the future.

They could be replaced with companies that will find outright purchase of equipment less appetizing than in the past.

Major purchasers of equipment now may find leasing preferable

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New issues of corporate securities

Aug. 4 — Aug. 15, 1986

Issue date	Company	Amount ($ mil.)	Type of security	Offering price Debt (%) Share ($)	Gross spread as % offer price	Where traded (to list)	Managers
Debt							
8/13	Imperial Savings Association	450.00	Mtg. Backed	100.00%	.675	OTC	Salomon/First Boston/Merrill Lynch/Morgan Stanley
8/13	GMAC	400.00	Notes	100.00%	.400	OTC	Merrill Lynch/First Boston/Morgan Stanley/Salomon
8/11	Pacific Bell	350.00	Debs.	95.63%	.915	OTC	First Boston/Goldman, Sachs/Merrill Lynch/Morgan Stanley/Salomon
8/13	CSX Corp.	300.00	Debs.	100.00%	.875	OTC	First Boston/Morgan Stanley/Salomon
8/11	Southeast Texas Housing Finance	300.00	Bonds	100.00%	1.000	OTC	DBL/HOWARD-WEIL/ROTAN*
8/8	Texaco Capital Inc.	300.00	Notes	99.75%	1.003	NY	Salomon/First Boston
8/7	Mesa Capital Corp.	300.00	Sub. Notes	Market	Market	NY	Drexel Burnham Lambert
8/15	Tele-Communications Inc.	250.00	Cvt. Sub. Deb.	100.00%	1.750	OTC	Drexel Burnham Lambert
8/14	General Dynamics Corp.	250.00	Debs.	96.30%	.909	NY	Salomon/Morgan Stanley/Lazard Freres
8/14	Citicorp	250.00	Sub. Notes	100.00%	.675	OTC	Salomon/Merrill Lynch
8/12	Amoco Co.	250.00	Notes	99.20%	.655	NY	Morgan Stanley
Common Stock							
8/14	Gabelli Equit, rust Inc.	400.00		$10.00	6.50	IPO (NY)	Shearson Lehman/Gabelli & Co.
8/12	American Television Comm.	268.30		$18.50	5.41	IPO	First Boston/Lazard Freres/Salomon/Shearson Lehman
8/13	The Banking Center	85.40		$12.63	6.18	IPO	Merrill Lynch/Salomon
8/15	Worcester County Institute for Savings	83.20		$12.75	6.04	IPO	PaineWebber/Merrill Lynch
8/13	Devon Group Inc.	45.00		$18.00	6 94	IPO	First Boston/Drexel Burnham Lambert/Dean Witter Reynolds
8/12	Seamen's Corp.	45.00		$9.00	6.78	IPO (AM)	Bear, Stearns/First Boston/Merrill Lynch
8/5	Diversified Energies Inc.	42.70		$24.38	4.27	NY	Kidder Peabody/Dain Bosworth
8/12	Adelphia Communications Corp.	35.60		$14.25	6.53	IPO	PaineWebber/Butcher & Singer
8/4	AAR Corp.	28.70		$21.25	4.75	NY	Goldman, Sachs/William Blair
8/6	Eastern Bancorp Inc.	26.90		$21.50	5.95	OTC	Dean Witter Reynolds/PaineWebber

Source: Securities Data Co., New York

**Drexel Burnham Lambert/Howard, Weil, Labouisse, Friedrichs/Rotan Mosle*
Mtg. backed: Mortgage backed bonds
Cvt. sub. deb.: Convertible subordinated debentures

NY: New York Stock Exchange
OTC: Over the Counter
IPO: Initial Public Offering
AM: American Stock Exchange

Corporate notes

Eye on Drexel deal

NEW YORK — Following the Goldman Sachs-Sumitomo Bank affiliation, many on Wall Street are now wondering how long before Drexel Burnham Lambert Inc. responds with a deal that will promise the firm a more predictable source of capital.

Goldman's decision to sell Sumitomo a 12.5% passive stake in return for $500 million of capital underlined the immense capital needs top firms on Wall Street face in the highly competitive environment.

The concensus appears to be that Drexel's place among the top-ranked investment banks won't be assured for the long term unless the firm first assures itself of a long-term source of capital.

The question to observers isn't whether the firm would respond, but how and when. But Wall Street appears more intrigued by the question than is Drexel.

"The fact is, we're not worried," said Fred Joseph, Drexel's chief executive officer.

Indeed, given the firm's growth, there's ample evidence to leave well enough alone. Drexel's latest capital tally stands at $1.5 billion; revenues this year look like they will be double those of 1985; and profits reportedly are running in front of most of its competitors. In addition, Drexel is clearly the hot place to work right now. As Mr. Joseph put it: "If it ain't broke, I'd be nuts to try and fix it."

While others agree there's little motivation for Drexel to respond immediately, they are less convinced leaving well enough alone is right for the long term.

Between other investment banks moving into the junk bond business and Drexel's efforts to diversify its investment banking activities, its fate as a major-league firm remains uncertain. In an increasingly worldwide competitive environment, observers argue the firms that will dominate in investment banking will be those with the strongest capital sources.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Offering Circular. These shares have not been approved or disapproved by the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation nor has such Board or such Corporations passed upon the accuracy or adequacy of the Offering Circular. Any representation to the contrary is unlawful.

New Issue / August 20, 1986

DiME

15,102,105 Shares

The Dime Savings Bank of New York, FSB

Common Stock

(par value $1.00 per share)

The shares constitute a portion of the 19,500,000 shares of common stock to be issued by The Dime Savings Bank of New York, FSB ("The Dime") upon its conversion from a federal mutual to a federal stock savings bank. The remaining shares have been subscribed for by certain deposit account holders, borrowers, trustees, officers and employees of The Dime and by certain other individuals in a subscription offering.

Price $17.75 Per Share

Copies of the Offering Circular may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

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Kidder, Peabody & Co. Incorporated — Lazard Frères & Co. — Merrill Lynch Capital Markets

Montgomery Securities — Morgan Stanley & Co. Incorporated — PaineWebber Incorporated

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Moseley Securities Corporation — Oppenheimer & Co., Inc.

Thomson McKinnon Securities Inc. — Tucker, Anthony & R. L. Day, Inc.

Note facility started

NEW YORK — In another development for the evolving medium-term note market, the New York branch of The Toronto Dominion Bank last month established a facility to raise up to $200 million in medium-term notes with one- to 10-year maturities.

Set up through Merrill Lynch Capital Markets, the continuously offered program is part of a larger one in which medium-term notes also can be issued occasionally in larger amounts on an underwritten basis, said Robert Whitelaw, managing director in Merrill's financial institutions department.

Mr. Whitelaw said the bank's move stems from a desire to find alternative financing sources and to reach the U.S. corporate bond market. Until now, foreign bank participation in the U.S. capital markets has been through CDs.

"The problem is that the Yankee CD market is not a terribly active market," Mr. Whitelaw said. The medium-term corporate debt market holds out much stronger prospects as a financing source.

Merrill Lynch is expecting the medium-term note structure will help make the foreign bank note market in the United States an important adjunct to other active capital markets in Europe and Japan for bank-related offerings.

It, as well as other investment banking firms, expects to see other foreign banks issuing similar notes through their U.S. branches (the notes are exempt from registration with the Securities and Exchange Commission through this route).

Mr. Whitelaw thinks increased demand by investors created by the recent jump in corporate bond yields will help fuel more activity.

Foreign banks with AA ratings or better will be the most likely institutions to step into the market. The Toronto Dominion notes carry long-term debt ratings of Aaa from Moody's Investors Service and AA+ from Standard & Poor's Corp.

More debt upgraded

NEW YORK — In a turnaround from first-quarter results, upgrades of corporate debt ratings outpaced downgrades by almost 20% during the second quarter.

According to Moody's Investors Investor Service, 66 ratings on $41.9 billion in corporate securities were upgraded in the second quarter, while 56 ratings on $33.5 billion in of debt were lowered.

In the first quarter, only 35 companies were upgraded affecting $19.9 billion of debt. At the same time, there were 75 downgrades affecting more than $63 billion of debt.

Moody's cited the decline in merger activity as one key reason for the turnaround. Also, most of the first round of oil price-related rating reviews were done in the first quarter.

Corporate restructurings sparked seven downgrades during the second quarter, among them the leveraged buy-outs of National Gypsum Co., GATX Corp. and R.H. Macy & Co. and the Burroughs-Sperry merger.

Second-quarter restructuring downgrades amounted to slightly more than half that of the first quarter — $7.5 billion of debt vs. $12 billion. In addition, Moody's reports these kinds of downgrades are lagging 1985's pace.

Oil-related downgrades affected 18 companies and $14 billion of securities, compared with 36 companies and almost $30 billion in the first quarter.

Meanwhile, the climb in rating upgrades stemmed largely from improvements in the utility as well as bank and finance sectors. Such factors as a supportive regulatory environment and effective cost-cutting measures fueled upgrades for 14 telephone companies and affected more than $18 billion of securities.

Tax reform to change . . .

Continued from page 27

to buying because they could be subject to the alternative minimum tax and won't be able to use depreciation to minimize that tax burden.

Mr. Fleming expects to see less growth in new leasing volume of aircraft, energy-generating facilities and other major-ticket items — the most tax sensitive of equipment leasing transactions — with imposition of new tax rules.

"The $1 million-and-up leasing transaction will be adversely affected by the bill. The $500,000 transaction will fare much better," Mr. Fleming said.

"There will be no impact on the high-tech stuff.

"By that I mean the growth of leasing in those areas will continue as before."

Computers, followed by telecommunications equipment, were the most active areas of equipment leasing in the 1985 AAEL survey.

Some 26%, or $6.34 billion, of the total 1985 new business represented computer leasing. Just under 12% or $2.88 billion, represented telecommunications.

Aircraft leasing rated third with 10.4% of new business volume of $24.4 billion. Office machines and trucks and trailers followed as the fourth and fifth largest equipment leasing categories.

Office machine equipment accounted for 8.8% of new business, while trucks and trailers accounted for 6.9% in 1985.

The market share of trucks and trailers represented a modest decline from the portion of new leasing business taken up by this category in 1984. Trucks and trailers took up 8% of the total in 1984.

Reflecting depressed performance in the agricultural and medical industries, declines in agricultural and medical leasing between 1984 and 1985 were more significant.

Agricultural leasing dropped to 1.7% of total new business volume in 1985, from 4.5% of volume in 1984. In the medical arena, leasing business dipped to 2.8% last year, from 5.8% in 1984.

In a breakdown by lease contract, almost $17 billion of the new business was added through direct finance leases, which among other things must carry lease terms equal to 75% or more of the property's estimated economic life. Computers, office machines and telecommunications equipment comprised 50% of the volume leased through these vehicles.

Leveraged lease transactions, which are heavily tax-driven and typically used for big-ticket items, accounted for $5.4 billion of new equipment leasing business in 1985.

Short-term operating leases generated the remaining $2.1 billion of new leasing business.

Under new tax rules, the direct finance and operating leases will dominate the scene, with the more tax-sensitive leveraged lease declining in use. ■

PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

In-house research generates top returns

By Chuck Paustian

Investment ideas generated outside of the major Wall Street research firms fueled the returns of the top-performing commingled special equity funds.

Executives for the $320 million intermediate-capitalization equities fund of Chase Manhattan Bank, New York, relied on research that is about 75% internal. That portfolio was the best-performing one for the quarter and the year ended June 30.

Chase's portfolio is managed by its investment management subsidiary, Chase Investors Management Corp.

Officials at the top funds in the other time periods of the Pensions and Investments' Performance Evaluation Report also researched the majority of their investment decisions in-house.

The median fund in the universe failed to outperform the Standard & Poor's 500 stock index in all but the 10-year period.

Neal Miller, vice president at Chase Investors, said the in-house research capabilities were the base for the fund's strong performance.

The fund had a return of 20.4% for the quarter ended June 30 and 70.3% for the one-year period.

"The overlying backdrop is we have a system in place so we can zero in and understand the investment changes in place," he said.

One of the best-performing stocks in the portfolio, **Fieldcrest Cannon Mills**, which benefited from the drop in cotton prices, was the product of the internal analysis process.

"In the case of Fieldcrest Cannon Mills, every 1-cent drop in the price of cotton results in $1.92 pre-tax on the bottom line," Mr. Miller said.

"One of the things that is the strength of this system is when you make a commitment and get aboard (a stock), you have a target price and certain assumptions."

When Mr. Miller bought Fieldcrest, it was selling at $32 per share. The stock now is selling around $80 per share.

The second best-performing fund in the quarter was the $16 million Growth Fund G of Security Pacific National Bank, Los Angeles, with a return of 19.5%.

William H. Duncan, managing director of Pacific Century Group, San Diego, a subsidiary of Security Pacific National, said about 75% of the investment ideas for the fund come from a network of small, regional brokerage firms.

"They're typically more idea shops and not full maintenance shops. Also, they're typically brokers I've worked with for several years," said Mr. Duncan.

"We take the ideas they present to us and check them against our criteria to see if we want to buy them."

Mr. Duncan said the firm's three criteria are rapid and accelerated earnings growth, companies with rising relative price strengths and companies in strong industries that are outperforming the market.

Mr. Duncan described the portfolio as "a diversified list of emerging growth companies."

Some of the better-performing stocks in the portfolio include **Rent-A-Center Inc.**, a chain of furniture and equipment rental stores; **Westwood One Inc.**, a packager of radio programs; and **New Jersey National Corp.**, a regional bank stock.

Following Chase and Security Pacific for the quarter ended June 30 was The Northern Trust Co., Chicago, 15.9%; The First National Bank of Neenah, Wis., (regional bank fund), 15.4%; and California First Bank, San Diego, 14.3%.

For the quarter ended June 30, the median fund had a return of 5.6% while the S&P 500 returned 5.9%.

The Chase Manhattan fund also was the best-performing fund for the one-year period with a return of 70.3%.

Chase was followed by First National Bank of Neenah (regional bank fund), 66.5%; Security Pacific, 59.2%; Fidelity Management Trust Co. (aggressive equity), Boston, 54.2%; and Equitable Bank, Baltimore, 49.6%.

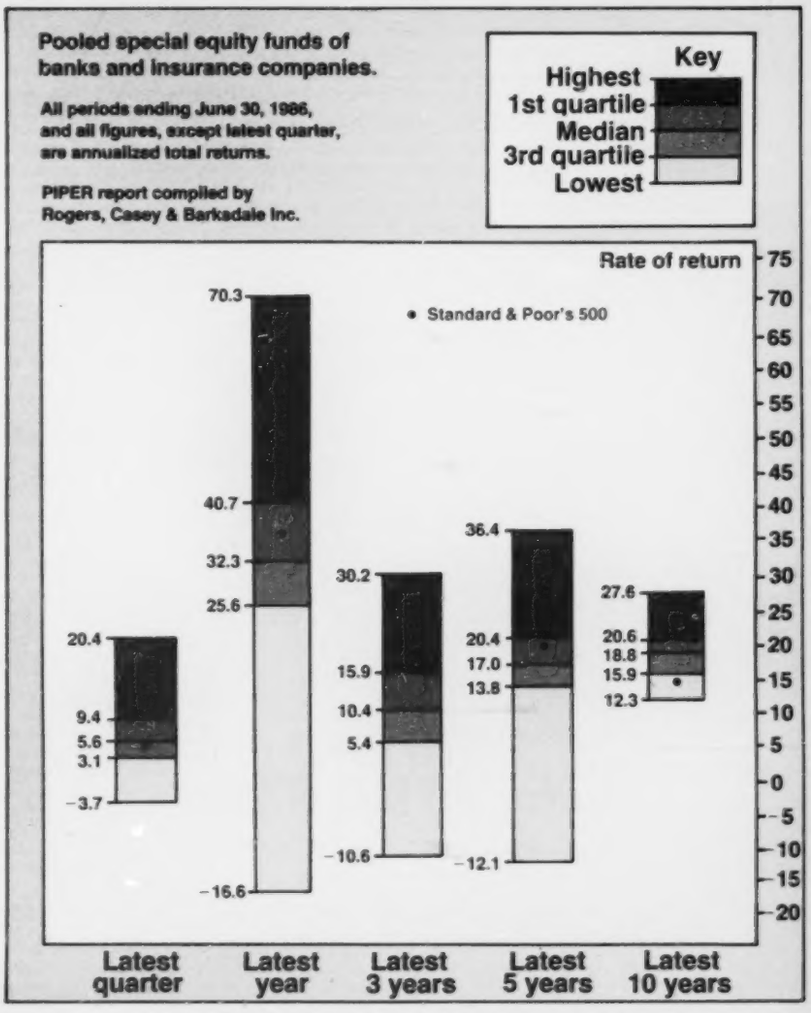
For the one-year period, the median fund had a return of 32.3% while the S&P 500

Continued on page 36

Pooled special equity funds of banks and insurance companies.

All periods ending June 30, 1986, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.



Funds do well with Japanese exposure

By Rose Darby

Avoiding export-related stocks and emphasizing domestic-sector stocks in the Japanese market helped many international money managers achieve strong performance in overseas investments for the quarter and the year ended June 30, Pensions & Investments' Performance Evaluation Report shows.

Not all 34 bank and insurance commingled funds in the PIPER international universe were overweighted in Japan during the first half of 1986, but those that deftly balanced a market weighting in Japan with good stock picking benefited there.

RepublicBank Dallas was the leader for the quarter ended June 30, with a total return of 16.7% on its $25 million equity fund managed by Baillie, Gifford & Co., Edinburgh, Scotland.

Baillie Gifford takes a long-term view, investing in small- to medium-growth companies. The firm is particularly committed to buying stocks in local, domestic companies, said Vida S. Icenogle, vice president and director of investment marketing with RepublicBank.

This investment strategy was particularly crucial in Japan, where local businesses market worldwide, she said. "Baillie Gifford has been capturing growth on the domestic side in Japan," Ms. Icenogle said.

Further, the fund benefited from the political structure put into place in France, where companies are in the process of being privatized on a grand scale, she said.

Wellington Management Co./ Thorndike, Doran, Paine & Lewis, Boston, was second for the quarter, with a total return of 16.2%.

U.S. Trust Co. of New York was third with a total return of 15.1%; CIGNA Corp., Hartford, Conn., was fourth, with 14.7%; and Aetna MIM Asset Management Ltd., Hartford, Conn., was fifth, with 13.5%.

The Morgan Stanley Europe Australia Far East Index gained 8.8% in U.S. dollar terms for the quarter.

For the one year ended June 30, BA Investment Management International Ltd., London, topped the charts, with a total return of 128.4% for its $53 million International Employee Benefit Equity fund.

John Horseman, investment manager, said BA Investment's positioning in the Japanese mar-

Continued on page 37

Commingled international funds

3-month returns

	%
Republic Natl. (stock), Dallas	16.7
Wellington Trust (pac. basin)	16.2
US Trust (eq.), N.Y.	15.1
CIGNA Corp. (eq.), Conn.	14.7
Aetna MIM (eq.), Conn.	13.5
Citicorp (eq.), N.Y.	12.2
IDS Trust (col. eq.), Minn.	11.2
Centerre Trust (col. W), Mo.	11.1
Bank of America (eq.), Calif.	11.0
Prudential (eq.), N.J.	10.9
Bankers Trust (eq.), N.Y.	10.6
Bessemer Trust (E), N.Y.	10.5
Chase Manhattan (eq.), N.Y.	10.3
Travelers Hill Samuel (W), Conn.	10.0
Marine Midland (eq.), N.Y.	9.9
Wellington Trust (stock), Mass.	9.7
First of Chicago (eq.)	9.4
California First Bank (eq.)	9.0
Bank of America (fix.), Calif.	8.9
EAFE	**8.8**
Morgan Guaranty (eq.), N.Y.	8.8
American National (eq.), Chicago	8.3
HT Investors (eq.), R.I.	8.2
Toledo Trust (global bond)	7.8
Prudential (for. bond), N.J.	7.1
Toledo Trust (eq.), Ohio	6.9
Morgan Guaranty (bond), N.J.	6.3
Prudential (global bond), N.J.	5.9
Fidelity Mgmt. Trust (eq.), Mass.	5.8
Wellington Trust (bond), Mass.	5.6
First of Chicago (non-dlr. fix.)	5.2
Mellon Bank (eq.), Pa.	5.0
Citicorp (fix.), N.Y.	4.9
Marsh & McLellan Trust, Mass.	3.1
First of Chicago (dlr. fix.)	3.0

1-year returns

	%
Bank of America (eq.), Calif.	128.4
Aetna MIM (eq.), Conn.	104.7
Bessemer Trust (E), N.Y.	104.6
Citicorp (eq.), N.Y.	102.3
Republic Natl. (stock), Dallas	99.4
Centerre Trust (col. W), Mo.	97.5
US Trust (eq.), N.Y.	94.2
IDS Trust (col. eq.), Minn.	93.2
Chase Manhattan (eq.), N.Y.	91.3
Morgan Guaranty (eq.), N.Y.	90.1
EAFE	**89.6**
Marine Midland (eq.), N.Y.	89.5
CIGNA Corp. (eq.), Conn.	88.0
Fidelity Mgmt. Trust (eq.), Mass.	87.4
First of Chicago (eq.)	86.6
Marsh & McLellan Trust, Mass.	86.6
Bankers Trust (eq.), N.Y.	86.2
American Natl. (eq.), Chicago	84.8
HT Investors (eq.), R.I.	84.2
Wellington Trust (pac. basin)	82.1
Wellington Trust (stock), Mass.	81.1
California First Bank (eq.)	80.9
Mellon Bank (eq.), Pa.	73.5
Toledo Trust (eq.), Ohio	69.4
Bank of America (fix.), Calif.	68.8
Travelers Hill Samuel (W), Conn.	64.5
Prudential (glob. bond), N.J.	58.3
Prudential (for. bond), N.J.	57.3
Citicorp (fix.), N.Y.	56.8
First of Chicago (non-dlr. fix.)	53.6
Toledo Trust (glob. bond)	49.5
Morgan Guaranty (bond), N.Y.	48.8
Wellington Trust (bond), Mass.	43.3
First of Chicago (dlr. fix.)	19.7

3-year returns

	%
Bank of America (eq.), Calif.	38.4
EAFE	**37.8**
Aetna MIM (eq.), Conn.	36.5
Bankers Trust (eq.), N.Y.	35.3
American Natl. (eq.), Chicago	35.1
Marsh & McLellan Trust, Mass.	35.0
IDS Trust (col. eq.), Minn.	33.9
Citicorp (eq.), N.Y.	33.3
Wellington Trust (pac. basin)	33.1
Marine Midland (eq.), N.Y.	32.9
First of Chicago (eq.)	32.3
US Trust (eq.), N.Y.	31.5
Wellington Trust (stk.), Mass.	31.4
Republic Natl. (stock), Dallas	31.0
Fidelity Mgmt. Trust (eq.), Mass.	29.8
Centerre Trust (col. W), Mo.	28.8
Bessemer Trust (E), N.Y.	27.8
Morgan Guaranty (eq.), N.Y.	27.5
Prudential (glob. bond), N.J.	26.7
Travelers Hill Samuel (W), Conn.	26.4
Mellon Bank (eq.), Pa.	25.1
Chase Manhattan (glob. eq.), N.Y.	23.1
HT Investors (eq.), R.I.	22.8
Bank of America (fixed), Calif.	21.9
Prudential (for. bond), N.J.	21.3
Morgan Guaranty (bond), N.Y.	19.5
First of Chicago (non-dlr. fix.)	19.1
Citicorp (fix.), N.Y.	18.7
First of Chicago (dlr. fix.)	17.3
Wellington Trust (bond), Mass.	16.5

5-year returns

	%
IDS Trust (coll. eq.), Minn.	24.0
EAFE	**24.0**
Marsh & McLellan Trust, Mass.	23.4
Bankers Trust (eq.), N.Y.	22.4
American Natl. (eq.), Chicago	22.0
US Trust (eq.), N.Y.	20.3
First of Chicago (eq.)	20.3
Centerre Trust (col. W), Mo.	20.2
Citicorp (eq.), N.Y.	19.4
First of Chicago (dlr. fix.)	19.2
Morgan Guaranty (eq.), N.Y.	18.8
Morgan Guaranty (bond), N.Y.	17.1
First of Chicago (non-dlr. fix.)	16.6
Bessemer Trust (E), N.Y.	15.7
Citicorp (fix.), N.Y.	15.2

10-year returns

	%
US Trust (eq.), N.Y.	21.1
EAFE	**20.3**
Morgan Guaranty (eq.), N.Y.	18.8
First of Chicago (eq.)	17.5

Top returns . . .

Continued from page 35
returned 35.8%.

The $5 million select equity fund of RepublicBank Dallas was the top-performing fund for the three-year period ended June 30 with a compound annual rate of return of 30.2%.

Ben Fischer, vice president of RepublicBank Dallas, said the fund, which holds no more than 10 names at any one time, makes its selections from the "fishing pond" of stock names generated by the bank's analysis group. He said about 90% of the research is generated internally.

He said the assets of the fund could be spread among several stocks or concentrated in one stock.

"We have several funds that are highly diversified. They might hold 50 or 60 names. This fund is an attempt to get to the other extreme," Mr. Fischer said.

Although there are no restrictions or guidelines on the fund, Mr. Fischer said the stocks in the portfolio are ones that generally have slipped through the cracks of Wall Street.

"They're not totally ignored, but they tend to be not well followed," he said.

The other top-performing funds for the three-year period were Fidelity Management Trust (aggressive equity), with an annualized 23.4%; First National Bank of Neenah (equity income), 22.7%; Chase Manhattan, 21.8%; and First of Boston, 20.9%.

The median fund in the PIPER universe had a compound annual return of 10.4% for the three-year period ended June 30, compared with the S&P 500's return of 19.3%.

The leading funds for the five-year period were Security Pacific, 36.4%; Chase Manhattan, 27.4%; Citicorp (real estate stock), New York, 25.4%, Provident National Bank, Philadelphia, 23.8%; and National Bank of Detroit, 23.2%.

Kenneth Statz, vice president and manager of the $30 million real estate stock fund at Citicorp Investment Management Inc., New York, said the fund's strong performance is due to the continual focus on real estate.

"The goal of this fund is quite simply to capture the returns from developing, managing and eventually selling income-producing real estate," said Mr. Statz.

"It's not just an odd stock that does well."

He said the fund has a core position of real estate investment trusts that ranges between 50% and 75% of the assets. The core now contains 65% of the portfolio's assets.

"Then to this we add selectively more interesting and perhaps more inefficiently priced real estate plays," Mr. Statz said.

For the five-year period ended June 30, the median fund in the PIPER universe had a compound annual return of 17%, compared with the S&P 500's 19.4%.

For the 10-year period, the top funds were Equitable Bank, 27.6%; MTrust, Dallas, 27.4%; California First Bank, 25.9%; Northern Central Bank, Williamsport, Pa., 24.7%; and Bankers Trust Co., New York, 24.4%.

William Jeffery III, president of California First Capital Management, La Jolla, the investment management subsidiary of California First Bank, said the $15 million supplemental equity fund has switched its focus to specialty retailers.

"It was heavy in technology stocks through mid-1983, then switched to specialty retailers as technology started to peter out," Mr. Jeffery said.

Technology stocks had represented as much as 80% of the portfolio's assets. Now, they make up about 20% of the assets while the specialty retailer group represents about 50% of the fund.

Mr. Jeffery also said the fund looks for companies with 30% earnings growth or more and market capitalization less than $250 million.

For the 10-year period, the median fund had a compound annual return of 18.8% while the S&P 500 returned 14.7%. ■

Commingled special equity funds

3-month returns

	%
Chase Manhattan, N.Y.	20.4
Security Pacific (G), Calif.	19.5
Northern Trust, Ill.	15.9
First of Neenah (reg. bank), Wis.	15.4
California First Bank	14.3
Republic Natl., Dallas	13.0
Marsh & McLennan Trust, Mass.	12.2
First of Neenah (cap. appr.)	11.9
Michigan Natl. of Grand Rapids	11.8
American Fletcher (E), Ind.	11.8
Bankers Trust, N.Y.	11.8
Man. Hanover (spec. eq.)	11.7
Comerica Bank, Mich.	11.7
Trust Co. of the West	11.4
Citicorp (emerg. health), N.Y.	11.3
Chemical Bank (F), N.Y.	11.0
Society National, Ohio	10.8
Northern Central, Pa.	10.6
Republic Natl., Dallas	10.6
Bank of New York (A)	10.1
First Pennsylvania Bank	10.0
First Tennessee, Memphis	9.5
Equitable Bank, Md.	9.5
Manufacturers Hanover (sup.)	9.4
Standard & Poor's 500	**5.9**

1 year returns

	%
Chase Manhattan (inter. cap.)	70.3
First of Neenah (reg. bank), Wis.	66.5
Security Pacific (G), Calif.	59.2
Fidelity Mgmt. Trust (ag.), Mass.	54.2
Equitable Bank, Md.	49.6
Trust Co. of the West	49.1
Northern Trust, Ill.	49.0
California First Bank	48.9
Republic Natl., Dallas	47.4
Manufacturers Hanover (sup.)	47.2
Man. Hanover (spec. eq.)	46.7
American Fletcher (E), Ind.	46.3
Society National, Ohio	45.5
Marsh & McLellan Trust, Mass.	45.2
Manufacturers Detroit (I)	44.9
Central Fidelity (agg. eq.), Va.	44.6
Republic Natl., Dallas	44.5
Irving Trust (II), N.Y.	44.3
Bankers Trust, N.Y.	43.6
Chemical Bank (F), N.Y.	42.7
Wellington Trust (non-tech), Mass.	42.1
Norwest Bank, Minn.	42.1
Wachovia Bank (div. sp.), N.C.	41.1
Provident National, Pa.	40.9
Standard & Poor's 500	**40.7**

3-year returns

	%
Republic National, Dallas	30.2
Fidelity Mgmt. Trust (agg. eq.)	23.4
First of Neenah (eq. income)	22.7
Chase Manhattan (inter. cap)	21.8
First of Boston, Mass.	20.9
Shawmut Bank, Mass.	20.5
American Fletcher (E), Ind.	20.2
Wachovia Bank (div. spec.), N.C.	19.9
Citicorp (r.e.), N.Y.	19.4
Standard & Poor's 500	**19.3**
LaSalle National, Ill.	18.9
Old Second Natl. (HR 10), Ill.	18.5
Associated Kellogg, Wis.	18.3
Mellon Bank, Pa.	18.1
First of Minneapolis (20)	17.7
Trust Co. of the West	17.7
Society National (Ohio), Ohio	17.3
Manufacturers Hanover, N.Y.	16.9
Provident National, Pa.	16.4
Natl. Bank of Detroit (op.)	16.3
Citicorp (spec. sit.), N.Y.	16.0
Manufacturers Hanover (uncorn.)	15.9

5-year returns

	%
Security Pacific (G), Calif.	36.4
Chase Manhattan (inter. cap.)	27.4
Citicorp (r.e.), N.Y.	25.4
Provident National, Pa.	23.8
National Bank of Detroit	23.2
Society National (Ohio), Ohio	23.0

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Funds do well . . .

Continued from page 35

ket has contributed to the good performance. The firm has an 18% weighting in the Japanese market vs. a 50% suggested weighting by the EAFE, he said.

"Our investments have been centered around the financial and real estate-type stocks as interest rates have fallen in the Japanese marketplace," said Mr. Horseman.

Further, the fund is overweighted in the Spanish market, with a 15% weighting vs. the suggested EAFE weighting of 1%, said Chris Carter, investment manager. Portfolio managers are buying stocks of Spanish financial companies and banks and interest-sensitive issues such as utilities, he added.

"We have been buying in an environment of slow growth, falling interest rates and a falling U.S. dollar," said Mr. Carter. "We see no sign of that changing — the environment still seems one of very sluggish growth and disappointment on the earnings front. So we're investing in companies where we're confident of earnings coming through in every country."

Aetna MIM was second for the year, with a total return of 104.7%.

That $172 million fund is managed by MIM Ltd., London, which recently was purchased from the Aetna Life & Casualty Co., Hartford, Conn., by Britannia Arrow Holdings, London.

John Sullivan, director of Aetna MIM in Hartford, said the fund is overweighted in Japan — 60% vs. 50% for the index. "We avoided exposure to the Japanese export sector, which saved us a lot of problems.

"One Continental European market that helped us in the latter half of 1985 was that of Italy," said Mr. Sullivan. "We were overweighted in Italy and then cut back somewhat on holdings there in early 1986."

Bessemer Trust Co., New York, was third for the year, with a total return of 104.6%.

Fourth was Citicorp Investment Management Inc., London, with a total return of 102.3% on its more than $200 million international equity fund.

Good security selection that draws on the broad geographical coverage of Citicorp's offices is in part responsible for the fund's performance, said B. Hunt Whitbeck Jr., vice president.

"We emphasized Continental Europe in calendar 1985," he said. "We were overweighted in Germany, France and Italy and underweighted in Japan until the beginning of 1986."

Early this year, the fund's managers moved into Japan more heavily, choosing issues in the domestic sector, he said.

In December, the fund was weighted 31.2% in Japanese stocks; by June, that had increased to 47.2%, he added.

"Currently, we are slowing our exposure to Japan and looking back at Europe and some Asian markets for the rest of the year," said Mr. Whitbeck. Emphasis will be placed on stock picking in France, Spain, Hong Kong and Singapore, he added.

RepublicBank Dallas was fifth for the year, with a total return of 99.4%. The EAFE gained 89.4%.

For the three years ended June 30, BA Investment was first, with a compound annual return of 38.4%.

The EAFE was up 37.8% compounded annually for the three-year period.

Second for the three years was Aetna MIM's fund, with a compound annual return of 36.5%.

Bankers Trust Co., New York, and American National Bank of Chicago were third and fourth for the three years, with compound annual returns of 35.3% and 35.1%, respectively.

In fifth place for the three-year period was Marsh & McLennan Trust Co., Boston. That fund, managed by Putnam International Advisors, Boston, had a compound annual return of 35%.

For the five years ended June 30, IDS Trust, Minneapolis, was first. Its International Collective Equity fund, managed by IDS International Inc., London, had a compound annual return of 24%.

"We have consistently, over the five years, been in the right places," said Peter Lamaison, president of IDS International.

"In 1981 and 1982, for instance, that meant being mostly in cash and that cash was in the U.S. dollar," he explained. "And again in mid-1984, that meant being mostly in U.S. dollars."

Those currency plays were on the capital preservation side of the fund's strategy, he added.

"By and large, we have been in the correct markets and at the correct times, with about average weightings," he said. "We doubled the weightings in Europe at the expense of the Japanese market for most of last year, and Europe vastly outperformed Japan then."

At the turn of the year, the fund reversed itself in Europe and went underweighted there while increasing exposure to Japan. That move was due to the drop in oil prices of 1986, he said.

"The country that would benefit most from the drop in oil prices would be Japan," Mr. Lamaison explained.

The EAFE stood at 24% for the five-year period.

Marsh & McLennan Trust was second for the five-year period, with a compound annual return of 23.4%.

Third and fourth for the five years were Bankers Trust and American National Chicago, with compound annual total returns of 22.4% and 22%, respectively.

Fifth for the five-year period was U.S. Trust, with a compound annual total return of 20.3%.

For the 10 years ended June 30, U.S. Trust had the top fund, with a compound annual return of 21.1%.

The EAFE logged a compound annual total return of 20.3% for the 10 years.

Only three international commingled funds are monitored for the 10-year period. ■

Continued from page 36

Connecticut National Bank	23.0
Citicorp (spec. sit.), N.Y.	22.8
Bankers Trust, N.Y.	22.2
Norwest Bank, Minn.	21.8
First of Maryland	21.7
First Pennsylvania Bank	21.7
First of Boston, Mass.	21.3
California First Bank	21.0
Chase Manhattan (value), N.Y.	20.7
Northern Trust, Ill.	20.4
Standard & Poor's 500	**19.4**

10-year returns

	%
Equitable Bank, Md.	27.6
MTrust, Texas	27.4
California First Bank	25.9
Northern Central, Pa.	24.7
Bankers Trust, N.Y.	24.4
First of Maryland	23.4
Chase Manhattan (spec. eq.)	21.9
Bank of America, Calif.	21.7
Provident National, Pa.	21.3
Norwest Bank, Minn.	20.6
Connecticut Bank & Trust	20.6
Standard & Poor's 500	**14.7**

Corporate group expanding

NEW YORK — An effort by a lobbying group of corporate pension fund executives to expand the ranks is meeting with success, said W. Gordon Binns Jr., chairman of the Financial Executives Institute's Committee on Investment of Employee Benefits Assets.

A recent solicitation to corporate pension executives to become advisory members has drawn 56 favorable responses within three weeks of the mailing. Because the FEI limits full committee membership to 40, the pension fund group created the new membership category, explained Mr. Binns, who also is vice president and chief investment funds officer of General Motors Corp., New York.

Mr. Binns added he expects several hundred executives to respond favorably, based on the early results.

The FEI committee was organized to develop positions and lobby on behalf of corporate pension funds. Issues under study include proxy voting and corporate governance, directed commissions and incentive fees, manager performance, the use of futures and options, asset allocation strategies, the impact of the Financial Accounting Standards Board's new pension rules on investment policy, and funding of post-retirement benefits.

Advisory members, who pay an annual fee of $200, will receive position papers or studies; a monthly newsletter on developments in Washington affecting benefit funds, to be prepared by the Employee Benefit Research Institute; an annual meeting; and participation in the group's subcommittees. ■

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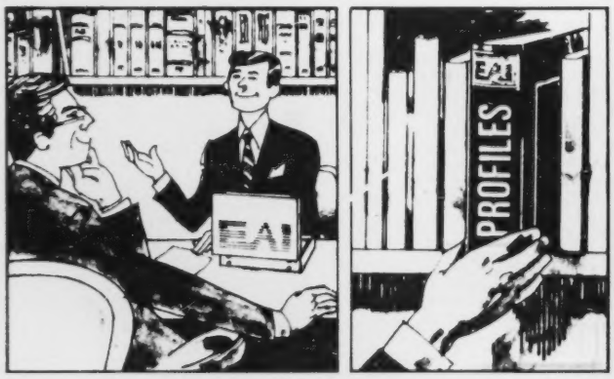

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